

INKOSI LANGALIBALELE MUNICIPALITY



FINAL ANNUAL BUDGET 2019/20

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Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	City Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

Part 1 – Annual Budget

1.1 Mayor's Report

The Minister of Finance had stated in his budget speech in February 2019 that although the world economy remained troubled, there were signs of improvement in the economy and in line with this improvement, that South Africa's economy had continued to grow, albeit at a slower pace than what was expected in the previous year. It was also stated that although South Africa's economic outlook was improving, we "require to actively pursue a different trajectory if we are to address the challenges ahead." This would mean that all sectors of society would have to work together to achieve this.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the iNkosi Langalibalele Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

The 2019/20 Medium Term Revenue and Expenditure Framework and its related policies has been compiled in compliance with the Municipal Finance Management Act No. 56 of 2003 and the Municipal Budget and Reporting Regulations which are aimed at improving credibility, sustainability, transparency, accuracy and reliability of municipal budgets.

The objective of the budget formats reform is to:

1. Ensure that the municipal budget and financial reporting formats support the other financial management reforms introduced by the MFMA;
2. Improve the local governments spheres' ability to deliver basic services to all by-
 - addressing issues of financial sustainability, and
 - Facilitating informed policy choices and medium term planning of service delivery by requiring targets to be aligned to achieve backlog elimination.

The Final 2019/20 MTREF has been prepared using realistically anticipated estimates and are guided by the guidelines as per the National Treasury budget circulars. The main aim of the budget is SERVICE DELIVERY. It is also aimed at ensuring that services are effectively and efficiently rendered in the most economical way.

A brief overview of the final budget is as follows:

Total operating income – R614 022 000

Total Operating expenditure – R602 682 000

Operating Surplus – R11 339 000

Capital Transfers –R44 661 000 (**MIG R37 661 000 and INEP R7 000 000**).

The capital budget would be financed from capital grants received from the Municipal Infrastructure Grant, INEP, and a small portion from council funding.

The operating budget is extremely constrained and focuses on service delivery. The reason for this, is the limiting income realistically anticipated.

Ngokubambisana singakha imiphakathi engcono. Let us work together to build a better community of iNkosi Langalibalele thus achieving a better life for all.

HER WORSHIP, THE MAYOR

COUNCILLOR JM MBELE

1.2 Council Resolutions

On 22 March 2019 the Council of Inkosi Langalibalele Local Municipality met in the Council Chambers of Inkosi Langalibalele Municipality to consider the draft annual budget of the municipality for the financial year 2019/20. The Council approved and adopted the following resolutions:

1. The Council of Inkosi Langalibalele Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The draft annual budget of the municipality for the financial year 2019/20 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

- 1.2.1. Budgeted Financial Position as contained in Table 23;
 - 1.2.2. Budgeted Cash Flows as contained in Table 24;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25;
 - 1.2.4. Asset management as contained in Table 26; and
 - 1.2.5. Basic service delivery measurement as contained in Table 27.
2. The Council of Inkosi Langalibalele Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2019:
 - 2.1. the tariffs for property rates;
 - 2.2. the tariffs for electricity; and
 - 2.3. the tariffs for solid waste services.
3. To give proper effect to the municipality's annual budget, the Council of Inkosi Langalibalele Local Municipality approves:
 - 3.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
 - 3.2. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No 93 and 94 were used to guide the compilation of the 2018/19 MTREF.

The main challenges experienced during the compilation of the 2019/20 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;

- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable.

The following budget principles and guidelines directly informed the compilation of the 2019/20 MTREF:

- The 2018/19 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2019/20 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2018/19 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2019/20 MTREF

Description	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<u>Revenue By Source</u>									
Total Revenue	391,053	519,650	516,163	528,901	546,155	546,155	614,022	646,408	684,217
Total Expenditure	538,488	523,538	499,915	527,739	410,250	454,878	602,682	635,921	671,036
Surplus/(Deficit)	(147,434)	(3,889)	16,248	1,163	135,905	91,276	11,339	10,487	13,182
Transfers and subsidies - capital	45,066	44,988	50,949	55,119	55,119	55,119	44,661	46,632	52,468
Surplus/(Deficit) for the year	(102,369)	41,100	67,197	56,282	191,024	146,395	56,000	57,119	65,650

Total operating revenue equals to R614 million for the 2019/20 financial year, R646 million and R684 million for the outer years. For the two outer years, operational revenue will increase by 5.2 and 5.8per cent respectively, equating to a total revenue growth of R70 million over the MTREF when compared to the 2019/20 financial year.

Total operating expenditure for the 2019/20 financial year has been appropriated at R 602 million and translates into a budgeted surplus of R11 million. The operating surplus for the two outer years steadily increases to R10 million and then at R13 million.

The capital income budget of R44.6 million for 2019/20.

1.4 Operating Revenue Framework

For Inkosi Langalibalele Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2019/20 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description R thousand	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source							
Property rates	85,551	85,551	113,396	113,396	126,919	133,519	140,462
Service charges - electricity revenue	229,990	236,755	225,750	225,750	258,677	272,129	286,279
Service charges - refuse revenue	3,966	8,405	9,309	9,309	8,702	9,155	9,631
Rental of facilities and equipment	237	237	211	211	225	237	249
Interest earned - external investments	754	792	802	802	883	929	977
Interest earned - outstanding debtors	672	672	-	-	-	-	-
Fines, penalties and forfeits	19,262	19,265	22,791	22,791	26,772	28,164	29,628
Licences and permits	3,746	3,556	1,278	1,278	1,345	1,415	1,489
Transfers and subsidies	167,951	169,956	169,956	169,956	187,676	197,892	212,379
Other revenue	4,033	3,522	2,662	2,662	2,821	2,968	3,122
Gains on disposal of PPE							
Total Revenue (excluding capital transfers and contributions)	516,163	528,901	546,155	546,155	614,022	646,408	684,217

Table 3 Percentage growth in revenue by main revenue source

Description R thousand	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework				
	Original Budget		Adjusted Budget		Budget Year 2019/20		Budget Year +1 2020/21		Budget Year +2 2021/22
Revenue By Source									
Property rates	85,551	0%	85,551	48%	126,919	5%	133,519	5%	140,462
Service charges - electricity revenue	229,990	3%	236,755	9%	258,677	5%	272,129	5%	286,279
Service charges - refuse revenue	3,966	112%	8,405	4%	8,702	5%	9,155	5%	9,631
Rental of facilities and equipment	237	0%	237	-5%	225	5%	237	5%	249
Interest earned - external investments	754	5%	792	11%	883	5%	929	5%	977
Interest earned - outstanding debtors	672	0%	672	0%	-	0%	-	0%	-
Fines, penalties and forfeits	19,262	0%	19,265	39%	26,772	5%	28,164	5%	29,628
Licences and permits	3,746	-5%	3,556	-62%	1,345	5%	1,415	5%	1,489
Transfers and subsidies	167,951	1%	169,956	10%	187,676	5%	197,892	7%	212,379
Other revenue	4,033	-13%	3,522	-20%	2,821	5%	2,968	5%	3,122
Gains on disposal of PPE									
Total Revenue (excluding capital transfers and contributions)	516,163		528,901		614,022		646,408		684,217

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2019/20 financial year, revenue from rates and services charges totaled R394million or 64.4 per cent. This increases to R414.8 million and R436 million in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 62 per cent in 2018/19 to 64 per cent in 2019/20. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1.

Property rates is the third largest revenue source totaling 17per cent or R126.9 million rand and increases to R140.4 million by 2021/22.

Operating grants and transfers totals R187 million in the 2019/20 financial year and steadily increased to R212 million by 2021/22. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

GRANTS ALLOCATION			
NATIONAL ALLOCATIONS			
OPERATING GRANTS			
	2019/20	2020/21	2021/22
Equitable Share	176,729,000	189,264,000	203,112,000
Financial Management Grant	2,500,000	2,000,000	2,264,000
EPWP	2,149,000		
	181,378,000	191,264,000	205,376,000
CAPITAL GRANTS			
	2019/20	2020/21	2021/22
MIG	37,661,000	39,632,000	42,468,000
INEP	7,000,000	7,000,000	10,000,000
	44,661,000	46,632,000	52,468,000
TOTAL NATIONAL GRANTS	226,039,000	237,896,000	257,844,000
PROVINCIAL ALLOCATIONS			
	2019/20	2020/21	2021/22
Provincialisation of Libraries	5,279,000	5,543,000	5,848,000
Community Library Services	633,000	678,000	726,000
Museum	386,000	407,000	429,000
	6,298,000	6,628,000	7,003,000
TOTAL GRANTS ALLOCATIONS	232,337,000	244,524,000	264,847,000

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom and bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R30 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 43 per cent rebate will be granted on all residential properties (including residential hospitality properties);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- On Commercial properties, an average of 6.19% rebate;
- Industrial properties, an average of 2.5% rebate;
- Agriculture properties, 10.5% rebate;
- Public Service Infrastructure, 90% rebate; and

- And 1.5% rebate is given to the State Owned Properties.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2019/20 financial year based on a 5.2 per cent increase on rebates from 1 July 2019 is contained below:

Table 5 Comparison of proposed rates to levied for the 2019/20 financial year

RATES RANDAGE

Category	Impermissible	Rebate	Phasing in	Randage
Residential	R30 000.00	39.5%		0.02021765
Residential Hospitality	R30 000.00	39.5%		0.02021765
Commercial(0-1.5mill)		As per table		0.034279
Commercial(1.5-2.5)				0.039496
Commercial(2.5-7.5mill)				0.0394956
Commercial(7.5-10mill)				0.03726
Commercial(>10mill)				0.03726
Agricultural		10.5%		0.002675
Agricultural Smallholdings		10.5%		0.002675
Public Service Infrastructure	First 30% non-rated	none	80%	0.00223202
State owned		1.5%		0.0333733
Industrial(0-1mill)		As per table		0.039496
Industrial(1-2mill)				0.039496
Industrial(2-5mill)				0.03726
Industrial(5-36)				0.041731
Industrial(>36mill)				0.039496
Public Benefit Organization		none		0.00221276
Recreational club		26.5%		0.02021765
Communal Land and CPA		36.5%		0.004815
Communal Property association <10 years				0.0000
Place of Worship				0.0000
Institutional				0.0000
Municipal				0.0000
NEMA				0.0000

REBATES FOR COMMERCIAL PROPERTIES

VALUE OF PROPERTY	REBATE
0-1.5 million	9.5%
1.5-2.5 million	11.5%
2.5-7.5 million	15.5%
7.5-10 million	17%
>10 million	26.3%

REBATES FOR INDUSTRIAL PROPERTIES

VALUE OF PROPERTY	REBATE
0-1 million	2.5%
1-2 million	3.5%
2-5 million	26.5%
5-36 million	30.5%
>36 million	53.5%

ADDITIONAL RELIEF

Usage/Owner	Additional Rebate
Bed & Breakfast	25% upon Application
Bed & Breakfast(Manager)	20% upon Application
Pensioner	12.5% upon Application

1.4.2 Sale of Electricity and Impact of Tariff Increases

Considering the Eskom increases, the consumer tariff had to be increased by 13.07 per cent to offset the additional bulk purchase cost from 1 July 2019. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The Municipality has entered into discussions with NERSA regarding the suitability of the NERSA

proposed stepped tariffs compared to those already being implemented by the Municipality already. Until the discussions are concluded, the Municipality will maintain the current stepped structure of its electricity tariffs.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply).

1.4.3 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 5.2 per cent increase in the waste removal tariff is proposed from 1 July 2019. Higher increases will not be viable in 2019/20 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 6 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

1.4.4 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Table 6 MBRR Table SA14 – Household bills

Description	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Rand/cent					% incr.			
Monthly Account for Household - 'Middle Income Range'								
Rates and services charges:								
Property rates	816.56	859.84	859.84	859.84	5.2%	904.55	953.39	1,004.88
Electricity: Basic levy	2,551.08	2,725.57	2,725.57	2,725.57	6.8%	2,910.91	3,108.85	3,320.26
Electricity: Consumption								
Water: Basic levy								
Water: Consumption								
Sanitation	89.99	94.76	94.76	94.76	5.2%	99.69	105.07	110.74
Refuse removal								
Other								
sub-total	3,457.63	3,680.17	3,680.17	3,680.17	6.4%	3,915.15	4,167.32	4,435.88
VAT on Services								
Total large household bill:	3,457.63	3,680.17	3,680.17	3,680.17	6.4%	3,915.15	4,167.32	4,435.88
% increase/decrease	-	6.4%	-	-		6.4%	6.4%	6.4%
Monthly Account for Household - 'Affordable Range'								
Rates and services charges:								
Property rates	178.45	187.91	187.91	187.91	5.2%	197.68	208.35	219.60
Electricity: Basic levy	1,014.76	1,084.17	1,084.17	1,084.17	6.8%	1,157.89	1,236.63	1,320.72
Electricity: Consumption								
Water: Basic levy								
Water: Consumption								
Sanitation	89.97	94.74	94.74	94.74	5.2%	99.66	105.05	110.72
Refuse removal								
Other								
sub-total	1,283.18	1,366.82	1,366.82	1,366.82	6.5%	1,455.24	1,550.03	1,651.04
VAT on Services								
Total small household bill:	1,283.18	1,366.82	1,366.82	1,366.82	6.5%	1,455.24	1,550.03	1,651.04
% increase/decrease	-	6.5%	-	-		6.5%	6.5%	6.5%

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2019/20 budget and MTREF is informed by the following:

- The asset repairs and maintenance strategy and the repairs and maintenance plan;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2019/20 budget and MTREF (classified per main type of operating expenditure):

Table 7 Summary of operating expenditure by standard classification item

Description R thousand	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Expenditure By Type							
Employee related costs	151,714	170,809	169,209	213,837	181,104	192,785	205,220
Remuneration of councillors	17,779	17,779	14,154	14,154	17,779	18,703	19,676
Debt impairment	7,000	7,000	4,200	4,200	7,000	7,000	7,000
Depreciation & asset impairment	47,660	47,660	28,596	28,596	47,642	50,119	52,726
Finance charges	1,002	8,693	9,130	9,130	9,150	9,626	10,127
Bulk purchases	173,221	180,000	108,338	108,338	242,438	255,045	268,307
Other materials	16,198	12,729	10,622	10,622	15,333	16,130	16,969
Contracted services	30,000	38,744	26,539	26,539	29,791	31,341	32,970
Transfers and subsidies	–	–	–	–	–	–	–
Other expenditure	55,341	44,325	39,462	39,462	52,445	55,172	58,041
Loss on disposal of PPE							
Total Expenditure	499,915	527,739	410,250	454,878	602,682	635,921	671,036

The budgeted allocation for employee related costs for the 2019/20 financial year totals R1821million, which equals 30 per cent of the total operating expenditure. An annual increase of 6.4 and 6.4 per cent has been included in the two outer years of the MTREF. As part of the planning assumptions and interventions all vacancies might be filled with placement method due to the merger that will take place in 2016/17 financial year with Imbabazane and Umtshezi Local Municipality.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R47.6 million for the 2019/20 financials and equates to 10 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital) and lease. Finance charges make up 1.6 per cent (R9.1 mil) of operating expenditure. As previously noted, the Municipality has reached its prudential limits for borrowing because of poor cash flow position.

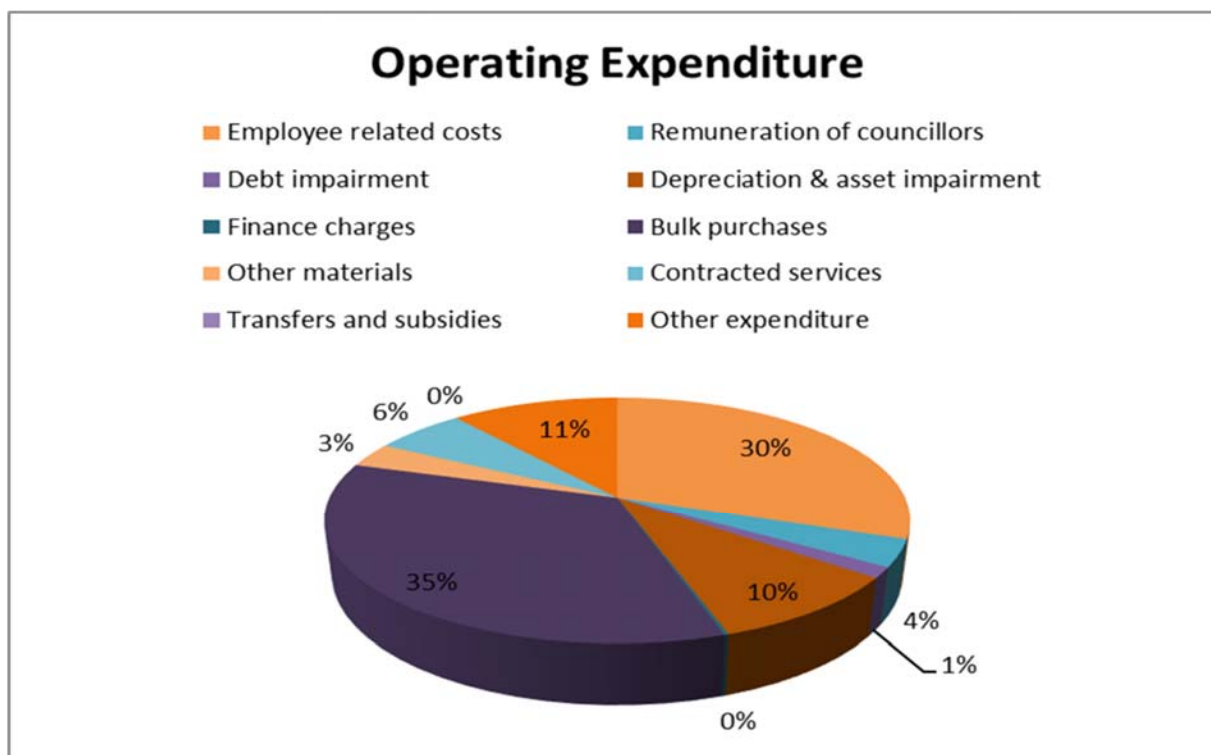
Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprises of amongst others, materials for maintenance, and chemicals. In line with the Municipality repairs and maintenance plan this group of expenditure has been prioritized to ensure sustainability of the Municipality's infrastructure. For 2019/20 the appropriation against this group of expenditure has increased by 20 per cent (R2 604 000). Other materials will then increase by 5.4 % in the two outer years.

Contracted services comprises of Security Services. As part of the compilation of the 2019/20 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2019/20 financial year, this group of expenditure totals R29 million and has decreased by 8.9 million from the 2019 adjustments budget, clearly demonstrating the application of cost efficiencies. For the two outer years growth has been limited to 5.4 per cent.

Other expenditure comprises of various line items relating to the daily operations of the municipality. Due to the cash flows problems that the municipality is facing, general expenditure items have been decreased significantly for the 2019/20 financial year.

The following table gives a breakdown of the main expenditure categories for the 2019/20 financial year.



1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2019/20 budget and MTREF provide for growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 8 Operational repairs and maintenance

Repairs and Maintenance	8									
Employee related costs										
Other materials		15,762	6,106	16,198	12,729	12,729	10,622	14,750	12,080	12,080
Contracted Services										
Other Expenditure										
Total Repairs and Maintenance Expenditure	9	-	15,762	6,106	16,198	12,729	12,729	10,622	14,750	12,080

During the compilation of the 2017/18 Adjustments Budget repairs and maintenance is 12 million. The municipality has purchased new fleet and plant during 2013. This has resulted in less repairs and maintenance of vehicles due the fact that the old vehicles were auctioned and the new fleet does not need a lot of repairs. Repairs and maintenance still remains a priority as can be seen by the budget appropriations over the MTREF other materials will increase by 5.4 per cent in the two outer years. Other materials will increase to 14.7 million by the 2019/20 financial year.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 7 000 or more indigent households during the 2019/20 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 9 2019/20 Medium-term capital budget per vote

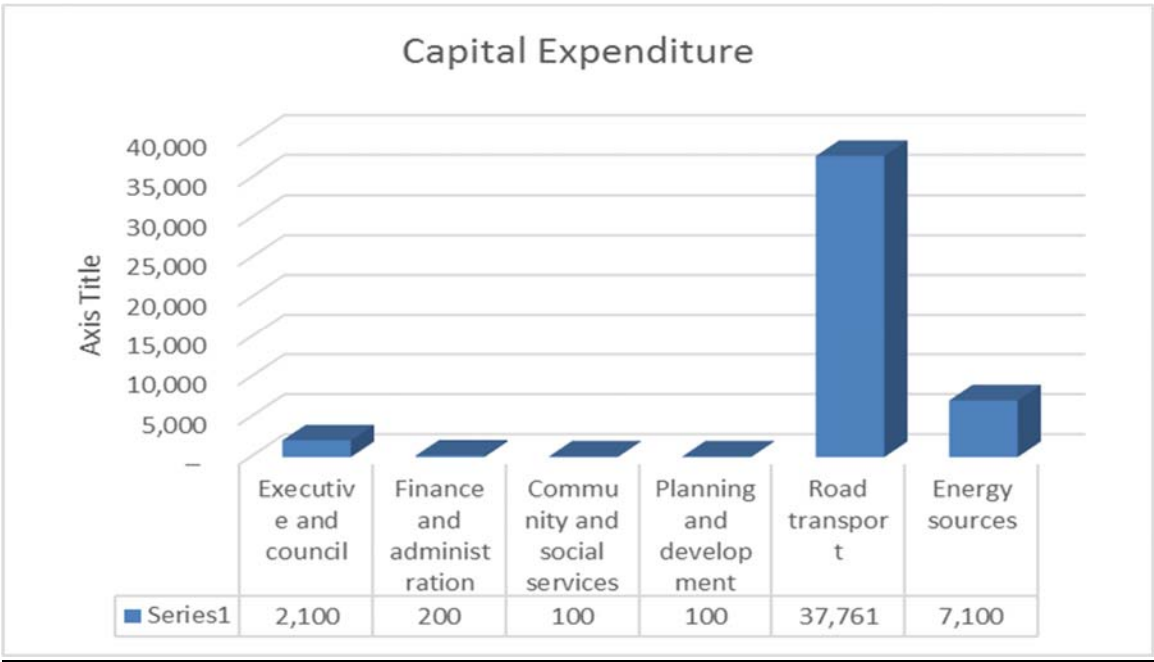
Vote Description	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital Expenditure - Functional								
<i>Governance and administration</i>	4,912	2,300	2,300	2,300	2,300	2,300	-	-
Executive and council	4,912	2,100	2,100	2,100	2,100	2,100		
Finance and administration		200	200	200	200	200		
Internal audit								
<i>Community and public safety</i>	-	100	100	100	100	100	-	-
Community and social services		100	100	100	100	100		
Sport and recreation								
<i>Economic and environmental services</i>	38,276	37,149	41,944	41,944	41,944	37,861	39,632	42,468
Planning and development		100	2,770	2,770	2,770	100		
Road transport	38,276	37,049	39,174	39,174	39,174	37,761	39,632	42,468
Environmental protection								
<i>Trading services</i>	1,800	14,100	15,600	15,600	15,600	7,100	7,000	10,000
Energy sources	1,800	14,100	15,600	15,600	15,600	7,100	7,000	10,000
<i>Other</i>								
Total Capital Expenditure - Functional	44,988	53,649	59,944	59,944	59,944	47,361	46,632	52,468

For 2019/20 an amount of R47 million has been appropriated for the development of infrastructure. Below is a detailed list of capital Projects

CAPITAL PROJECTS 2019/20

	Ward	Funding	Budget 2019/20
PMU ADMINISTRATION		MIG	R1,506,440.00
Mshayazafe Black Top Road	Ward 23	MIG	R496,075.16
Wembezi C Black Top Road	Ward 8	MIG	R453,310.15
Upgrading of Intshana / Moyeni Gravel Link Road	Ward 02	MIG	R387,139.64
Jennings Road Black Top	Ward 10	MIG	R1,980,102.05
Weenen Market Stalls	Ward 20	MIG	R148,536.62
Dikwe(Slimangamehlo) Pedestrian Bridge	Ward 1	MIG	R100,619.08
Ezimfeneni Community Hall / Creche Facility	Ward 7	MIG	R156,184.06
Msobotsheni Community Hall/Creche Facility	Ward 20	MIG	R178,527.90
Thembalihle Creche	Ward 19	MIG	R52,905.60
Heavyland Creche	Ward 18	MIG	R54,155.60
Newlands-Lochsloy Pedestrian Bridge	Ward 15	MIG	R70,820.90
Weenen -Zitendeni installation of New High Mast	Ward 20	MIG	R313,196.84
			R5,898,013.60
Tatane Vehicle Bridge	Ward 5	MIG	R4,932,500.14
Colita Pedestrian Bridge	Ward 10	MIG	R4,215,936.65
Upgrading of Nsonge Gravel Road	Ward 11	MIG	R5,537,861.96
Upgrading of Siphokuhle Access Gravel Road	Ward 16	MIG	R8,094,731.27
Mqedandaba Sports Facility	Ward 04	MIG	R5,461,353.73
			R28,242,383.75
Salvation Army Road Black Top	Ward 9	MIG	R 1,642,049.84
Mavela (KwaDlamini) Sports Facility	Ward 12	MIG	R 649,395.44
Upgrading of Thamela & Mthunzini Gravel Link Road	Ward 03	MIG	R 639,880.65
Ephangweni Sports Facility	Ward 06	MIG	R 589,276.72
			R 3,520,602.65
TOTAL MIG			R 37,661,000.00
Osizweni Sub-station		INEP	R 7,000,000
TOTAL INEP			R 7,000,000
TOTAL CAPITAL PROJECTS			R 44,661,000.00

The following graph provides a view of the capital budget for the different Departments.



1.7 Annual Budget Tables - Parent Municipality

The following pages present the ten main budget tables as required in terms of regulations 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2019/20 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 10 MBRR Table A1 - Budget Summary

Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousands										
Financial Performance										
Property rates	-	67,314	88,956	85,551	85,551	113,396	113,396	126,919	133,519	140,462
Service charges	-	183,927	221,377	233,956	245,160	235,058	235,058	267,380	281,283	295,910
Investment revenue	-	716	445	754	792	802	802	883	929	977
Transfers recognised - operational	-	118,465	166,438	167,951	169,956	169,956	169,956	187,676	197,892	212,379
Other own revenue	-	20,631	42,435	27,951	27,442	26,942	26,942	31,163	32,784	34,489
Total Revenue (excluding capital transfers and contributions)	-	391,053	519,650	516,163	528,901	546,155	546,155	614,022	646,408	684,217
Employee costs	-	109,803	169,550	151,714	170,809	169,209	213,837	181,104	192,785	205,220
Remuneration of councillors	-	11,765	14,119	17,779	17,779	14,154	14,154	17,779	18,703	19,676
Depreciation & asset impairment	-	45,826	37,278	47,660	47,660	28,596	28,596	47,642	50,119	52,726
Finance charges	-	4,780	4,870	1,002	8,693	9,130	9,130	9,150	9,626	10,127
Materials and bulk purchases	-	199,162	168,853	189,419	192,729	118,959	118,959	257,771	271,175	285,276
Transfers and grants	-	23,388	30,899	-	-	-	-	-	-	-
Other expenditure	-	143,765	97,969	92,341	90,069	70,201	70,201	89,236	93,512	98,011
Total Expenditure	-	538,488	523,538	499,915	527,739	410,250	454,878	602,682	635,921	671,036
Surplus/(Deficit)	-	(147,434)	(3,889)	16,248	1,163	135,905	91,276	11,339	10,487	13,182
Transfers and subsidies - capital (monetary allocation)	-	45,066	44,988	50,949	55,119	55,119	55,119	44,661	46,632	52,468
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	-	(102,369)	41,100	67,197	56,282	191,024	146,395	56,000	57,119	65,650
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	-	(102,369)	41,100	67,197	56,282	191,024	146,395	56,000	57,119	65,650
Capital expenditure & funds sources										
Capital expenditure	-	-	44,988	53,649	59,944	59,944	59,944	47,361	46,632	52,468
Transfers recognised - capital	-	-	44,988	50,949	55,119	55,119	55,119	44,661	46,632	52,468
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	2,700	4,825	4,825	4,825	2,700	-	-
Total sources of capital funds	-	-	44,988	53,649	59,944	59,944	59,944	47,361	46,632	52,468
Financial position										
Total current assets	-	154,503	275,028	152,227	337,287	337,287	337,287	307,538	287,557	268,359
Total non current assets	-	854,438	850,184	820,347	896,670	898,834	898,834	916,100	964,975	1,014,741
Total current liabilities	-	108,957	174,971	68,957	168,303	168,303	168,303	211,100	203,778	214,782
Total non current liabilities	-	70,101	67,892	29,453	69,706	69,706	69,706	66,191	69,765	73,532
Community wealth/Equity	-	829,883	882,349	874,164	995,948	998,112	997,679	946,348	978,989	994,786
Cash flows										
Net cash from (used) operating	-	2,711	52,375	64,487	58,509	58,509	58,509	(2,326)	7,392	12,974
Net cash from (used) investing	-	(52,615)	(38,428)	(53,649)	(59,944)	(59,944)	(59,944)	(47,361)	(46,632)	(52,468)
Net cash from (used) financing	-	11,137	5,185	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	-	-
Cash/cash equivalents at the year end	-	(16,698)	2,429	(12,950)	(1,505)	(1,506)	(1,506)	(49,758)	(88,998)	(128,492)
Cash backing/surplus reconciliation										
Cash and investments available	-	(16,703)	2,429	(12,950)	(22,740)	(22,740)	(22,740)	(31,996)	(70,312)	(108,835)
Application of cash and investments	-	(74,540)	(83,292)	(96,754)	(142,432)	(128,560)	(128,560)	(41,004)	(71,289)	(75,138)
Balance - surplus (shortfall)	-	57,838	85,722	83,804	119,692	105,820	105,820	9,008	977	(33,697)
Asset management										
Asset register summary (WDV)	-	-	-	-	-	-	-	-	-	-
Depreciation	-	45,826	37,278	47,660	47,660	-	-	47,642	53,047	55,911
Renewal and Upgrading of Existing Assets	-	-	-	-	-	-	-	16,949	-	-
Repairs and Maintenance	-	-	-	16,198	12,729	-	-	14,750	12,080	12,080
Free services										
Cost of Free Basic Services provided	-	-	-	10,000	10,000	-	-	-	-	-
Revenue cost of free services provided	-	29,520	2,234	23,080	23,080	-	27,098	27,098	28,507	29,990
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	6	6	6	6	6	6	6	6

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasizes the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is negative over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. Although the Cash flow has a positive balance, the municipality's cash flow position is still weak. Hence the municipality has decided to keep its internally generated capital funding low.
4. The Municipality plans to work hard on collecting its old debt. The revenue section has put a plan in action in this regard, as the municipality is putting great emphasis on regaining its financial stability.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 11 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Functional Classification Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1									
Revenue - Functional										
<i>Governance and administration</i>		-	230,629	271,326	267,752	279,540	291,793	332,517	349,913	375,716
Executive and council		-	-	557	-	-	-	0	-	-
Finance and administration		-	230,629	270,769	267,752	279,540	291,793	332,516	349,913	375,716
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	41,007	18,617	17,030	17,080	17,080	18,426	19,384	20,392
Community and social services		-	41,007	18,617	17,030	17,080	17,080	18,426	19,384	20,392
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	39,378	39,254	39,575	43,145	43,145	41,426	43,581	45,847
Planning and development		-	-	6	1,239	4,809	4,809	218	229	241
Road transport		-	39,378	39,248	38,336	38,336	38,336	41,209	43,352	45,606
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	125,105	235,441	242,755	244,255	249,255	266,313	280,162	294,730
Energy sources		-	125,105	235,441	242,755	244,255	249,255	266,313	280,162	294,730
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	-	436,119	564,638	567,112	584,020	601,274	658,683	693,040	736,685
Expenditure - Functional										
<i>Governance and administration</i>		-	206,659	199,007	248,556	273,699	214,974	286,673	301,580	319,309
Executive and council		-	6,317	54,815	39,719	37,143	37,143	26,545	27,926	29,378
Finance and administration		-	200,342	144,192	208,837	236,556	177,832	260,128	273,654	289,931
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	69,056	76,135	22,827	22,827	22,827	8,787	9,244	9,724
Community and social services		-	69,056	76,135	22,827	22,827	22,827	8,787	9,244	9,724
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	48,045	66,596	31,140	27,042	27,042	39,835	41,907	44,086
Planning and development		-	-	23,411	1,613	1,613	1,613	797	839	882
Road transport		-	48,045	43,185	29,527	25,429	25,429	39,038	41,068	43,204
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	214,728	181,801	197,393	204,172	145,407	267,387	283,191	297,917
Energy sources		-	214,728	181,801	197,393	204,172	145,407	267,387	283,191	297,917
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	-	538,488	523,538	499,915	527,739	410,250	602,682	635,921	671,036
Surplus/(Deficit) for the year		-	(102,369)	41,100	67,197	56,282	191,024	56,000	57,119	65,650

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

- Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 06 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
- Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

- Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
- Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the other departments.

Table 12 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue by Vote	1									
Vote 1 - CORPORATE SERVICES		–	10,233	180	–	–	–	0	–	–
Vote 2 - MUNICIPAL MANAGER		–	–	557	–	–	–	0	–	–
Vote 3 - BUDGET & TREASURY OFFICE		–	220,396	270,589	267,752	279,540	291,793	332,516	349,913	375,716
Vote 4 - COMMUNITY SERVICES		–	41,007	18,617	17,030	17,080	17,080	18,426	19,384	20,392
Vote 5 - DEVELOPMENT AND PLANNING		–	–	6	1,239	4,809	4,809	218	229	241
Vote 6 - PUBLIC WORKS: CIVIL		–	39,378	39,248	38,336	38,336	38,336	41,209	43,352	45,606
Vote 7 - PUBLIC WORKS: ELECTRICITY		–	125,105	235,441	242,755	244,255	249,255	266,313	280,162	294,730
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–
Total Revenue by Vote	2	–	436,119	564,638	567,112	584,020	601,274	658,683	693,040	736,685

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity services.

Table 13 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand	1										
Revenue By Source											
Property rates	2	–	67,314	88,956	85,551	85,551	113,396	113,396	126,919	133,519	140,462
Service charges - electricity revenue	2	–	176,334	214,757	229,990	236,755	225,750	225,750	258,677	272,129	286,279
Service charges - water revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	2	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	2	–	7,593	6,620	3,966	8,405	9,309	9,309	8,702	9,155	9,631
Rental of facilities and equipment			532	203	237	237	211	211	225	237	249
Interest earned - external investments			716	445	754	792	802	802	883	929	977
Interest earned - outstanding debtors			638	–	672	672	–	–	–	–	–
Dividends received			–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits			12,631	21,504	19,262	19,265	22,791	22,791	26,772	28,164	29,628
Licences and permits			4,617	4,360	3,746	3,556	1,278	1,278	1,345	1,415	1,489
Agency services			–	–	–	190	–	–	–	–	–
Transfers and subsidies			118,465	166,438	167,951	169,956	169,956	169,956	187,676	197,892	212,379
Other revenue	2	–	2,213	16,368	4,033	3,522	2,662	2,662	2,821	2,968	3,122
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		–	391,053	519,650	516,163	528,901	546,155	546,155	614,022	646,408	684,217
Expenditure By Type											
Employee related costs	2	–	109,803	169,550	151,714	170,809	169,209	213,837	181,104	192,785	205,220
Remuneration of councillors			11,765	14,119	17,779	17,779	14,154	14,154	17,779	18,703	19,676
Debt impairment	3		26,472	1,911	7,000	7,000	4,200	4,200	7,000	7,000	7,000
Depreciation & asset impairment	2	–	45,826	37,278	47,660	47,660	28,596	28,596	47,642	50,119	52,726
Finance charges			4,780	4,870	1,002	8,693	9,130	9,130	9,150	9,626	10,127
Bulk purchases	2	–	199,162	168,853	173,221	180,000	108,338	108,338	242,438	255,045	268,307
Other materials	8		–	–	16,198	12,729	10,622	10,622	15,333	16,130	16,969
Contracted services		–	56,153	58,945	30,000	38,744	26,539	26,539	29,791	31,341	32,970
Transfers and subsidies		–	23,388	30,899	–	–	–	–	–	–	–
Other expenditure	4, 5	–	61,140	37,114	55,341	44,325	39,462	39,462	52,445	55,172	58,041
Loss on disposal of PPE											
Total Expenditure		–	538,488	523,538	499,915	527,739	410,250	454,878	602,682	635,921	671,036
Surplus/(Deficit)		–	(147,434)	(3,889)	16,248	1,163	135,905	91,276	11,339	10,487	13,182
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)			45,066	44,988	50,949	55,119	55,119	55,119	44,661	46,632	52,468
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Transfers and subsidies - capital (in-kind - all)	6	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		–	(102,369)	41,100	67,197	56,282	191,024	146,395	56,000	57,119	65,650
Taxation											
Surplus/(Deficit) after taxation		–	(102,369)	41,100	67,197	56,282	191,024	146,395	56,000	57,119	65,650
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		–	(102,369)	41,100	67,197	56,282	191,024	146,395	56,000	57,119	65,650
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		–	(102,369)	41,100	67,197	56,282	191,024	146,395	56,000	57,119	65,650

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R658.6 million in 2019/20 and increase to R736.6 million by 2021/22. This represents a year-on-year increase of 5.4 per cent for the 2020/21 financial year and 5.4 per cent for the 2021/22 financial year.
2. Revenue to be generated from property rates is R126 million in the 2019/20 financial year and increases to R140 million by 2021/22 which represents 17 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 5.2 per cent, and 5.4 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the Municipality totaling R267 million for the 2019/20 financial year and increasing to R295 million by 2021/22. For the 2019/20 financial year services charges amount to 44 per cent of the total revenue base and grows by 5.2 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity.
4. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing over the MTREF by 3.5per cent. The percentage increase is based on the allocations set out for the municipality.
5. Bulk purchases have significantly increased over the 2019/20 to 2021/22 period escalating from R180 million to R242 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 14 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description R thousand	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-
Vote 3 - BUDGET & TREASURY OFFICE		-	-	-	-	-	-	-	-	-	-
Vote 4 - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - DEVELOPMENT AND PLANNING		-	-	-	-	-	-	-	-	-	-
Vote 6 - PUBLIC WORKS: CIVIL		-	-	-	-	-	-	-	-	-	-
Vote 7 - PUBLIC WORKS: ELECTRICITY		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - CORPORATE SERVICES		-	-	-	100	100	100	100	100	-	-
Vote 2 - MUNICIPAL MANAGER		-	-	4,912	2,200	2,200	2,200	2,200	2,100	-	-
Vote 3 - BUDGET & TREASURY OFFICE		-	-	-	100	300	300	300	100	-	-
Vote 4 - COMMUNITY SERVICES		-	-	-	100	100	100	100	100	-	-
Vote 5 - DEVELOPMENT AND PLANNING		-	-	-	-	4,595	4,595	4,595	100	-	-
Vote 6 - PUBLIC WORKS: CIVIL		-	-	38,276	37,049	37,049	37,049	37,049	37,761	39,632	42,468
Vote 7 - PUBLIC WORKS: ELECTRICITY		-	-	1,800	14,100	15,600	15,600	15,600	7,100	7,000	10,000
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	44,988	53,649	59,944	59,944	59,944	47,361	46,632	52,468
Total Capital Expenditure - Vote		-	-	44,988	53,649	59,944	59,944	59,944	47,361	46,632	52,468
Capital Expenditure - Functional											
Governance and administration		-	-	4,912	2,300	2,300	2,300	2,300	2,300	-	-
Executive and council				4,912	2,100	2,100	2,100	2,100	2,100		
Finance and administration					200	200	200	200	200		
Internal audit											
Community and public safety		-	-	-	100	100	100	100	100	-	-
Community and social services					100	100	100	100	100		
Sport and recreation											
Public safety											
Housing											
Health											
Economic and environmental services		-	-	38,276	37,149	41,944	41,944	41,944	37,861	39,632	42,468
Planning and development					100	2,770	2,770	2,770	100		
Road transport				38,276	37,049	39,174	39,174	39,174	37,761	39,632	42,468
Environmental protection											
Trading services		-	-	1,800	14,100	15,600	15,600	15,600	7,100	7,000	10,000
Energy sources				1,800	14,100	15,600	15,600	15,600	7,100	7,000	10,000
Water management											
Waste water management											
Waste management											
Other											
Total Capital Expenditure - Functional	3	-	-	44,988	53,649	59,944	59,944	59,944	47,361	46,632	52,468
Funded by:											
National Government				44,988	50,949	50,949	50,949	50,949	44,661	46,632	52,468
Provincial Government						4,170	4,170	4,170			
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	-	-	44,988	50,949	55,119	55,119	55,119	44,661	46,632	52,468
Borrowing	6										
Internally generated funds					2,700	4,825	4,825	4,825	2,700		
Total Capital Funding	7	-	-	44,988	53,649	59,944	59,944	59,944	47,361	46,632	52,468

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to single-year appropriations, for 2019/20 R47 million has been allocated. This allocation increase to R52 million in 2010/22.
3. The capital programs are funded from national grants and transfers, borrowing and internally generated funds from current year surpluses. For 2019/20, capital transfers totals R44 million and R2700 000 is internally generated funds. There will be no borrowings in the 2019/20 financial year.

Table 15 MBRR Table A6 - Budgeted Financial Position

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
ASSETS											
Current assets											
Cash			(16,703)	2,429	(12,950)	(22,740)	(22,740)	(22,740)	(49,758)	(88,998)	(128,492)
Call investment deposits	1	-	-	-	-	-	-	-	17,762	18,686	19,657
Consumer debtors	1	-	157,523	249,388	127,088	321,937	321,937	321,937	321,491	338,852	357,149
Other debtors			549	12,948	34,825	34,825	34,825	34,825	9,422	9,931	10,467
Current portion of long-term receivables					489	489	489	489	514	542	571
Inventory	2		13,134	10,263	2,776	2,776	2,776	2,776	8,107	8,545	9,006
Total current assets		-	154,503	275,028	152,227	337,287	337,287	337,287	307,538	287,557	268,359
Non current assets											
Long-term receivables											
Investments											
Investment property			91,383	91,290	1,741	91,290	91,290	91,290	91,290	96,220	101,416
Investment in Associate											
Property, plant and equipment	3	-	763,055	758,894	809,292	796,091	796,091	796,091	813,791	857,736	904,053
Biological											
Intangible			68	42	475	42	42	42	26	27	29
Other non-current assets			9,246	9,246	10,977	10,977	10,977	10,977	9,246	9,745	10,272
Total non current assets		-	854,438	850,184	820,347	896,670	898,834	898,401	916,100	964,975	1,014,741
TOTAL ASSETS		-	1,008,941	1,125,212	972,574	1,233,956	1,236,120	1,235,688	1,223,639	1,252,532	1,283,100
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	-	4,556	1,932	3,938	3,938	3,938	3,938	2,246	2,367	2,495
Consumer deposits			3,367	4,795	3,296	4,795	4,795	4,795	6,809	7,177	7,564
Trade and other payables	4	-	98,996	168,245	38,425	159,570	159,570	159,570	202,045	194,234	204,723
Provisions			2,038	-	23,299	-					
Total current liabilities		-	108,957	174,971	68,957	168,303	168,303	168,303	211,100	203,778	214,782
Non current liabilities											
Borrowing		-	13,691	8,276	10,090	10,090	10,090	10,090	3,265	3,441	3,627
Provisions		-	56,410	59,616	19,363	59,616	59,616	59,616	62,926	66,324	69,906
Total non current liabilities		-	70,101	67,892	29,453	69,706	69,706	69,706	66,191	69,765	73,532
TOTAL LIABILITIES		-	179,058	242,863	98,410	238,008	238,008	238,008	277,290	273,543	288,314
NET ASSETS	5	-	829,883	882,349	874,164	995,948	998,112	997,679	946,348	978,989	994,786
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)			829,883	882,349	873,069	994,853	997,017	996,584	946,348	978,989	994,786
Reserves	4	-	-	-	1,095	1,095	1,095	1,095	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	-	829,883	882,349	874,164	995,948	998,112	997,679	946,348	978,989	994,786

Explanatory notes to Table A6 - Budgeted Financial Position

Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

1. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
2. Table 66 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non current;
 - Changes in net assets; and
 - Reserves
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 16 MBRR Table A7 - Budgeted Cash Flow Statement

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates			74,624	88,956	54,753	54,753	54,753	54,753	60,921	64,089	67,422
Service charges			200,999	221,377	211,908	221,598	221,598	221,598	224,425	243,868	256,549
Other revenue			22,846	27,913	23,426	26,828	26,828	26,828	27,148	32,784	34,489
Government - operating	1		118,465	166,438	167,951	169,956	169,956	169,956	187,676	197,892	212,379
Government - capital	1		45,066	44,988	50,949	55,119	55,119	55,119	44,661	46,632	52,468
Interest			716	445	754	754	754	754	883	929	977
Dividends									-	-	-
Payments											
Suppliers and employees			(455,226)	(492,872)	(444,253)	(461,807)	(461,807)	(461,807)	(538,890)	(569,175)	(601,183)
Finance charges			(4,780)	(4,870)	(1,002)	(8,693)	(8,693)	(8,693)	(9,150)	(9,626)	(10,127)
Transfers and Grants	1								-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	2,711	52,375	64,487	58,509	58,509	58,509	(2,326)	7,392	12,974
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE									-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets			(52,615)	(38,428)	(53,649)	(59,944)	(59,944)	(59,944)	(47,361)	(46,632)	(52,468)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	(52,615)	(38,428)	(53,649)	(59,944)	(59,944)	(59,944)	(47,361)	(46,632)	(52,468)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing			11,137	5,185	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	11,137	5,185	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		-	(38,768)	19,132	8,338	(3,935)	(3,935)	(3,935)	(52,187)	(39,240)	(39,494)
Cash/cash equivalents at the year begin:	2		22,070	(16,703)	(21,289)	2,429	2,429	2,429	2,429	(49,758)	(88,998)
Cash/cash equivalents at the year end:	2	-	(16,698)	2,429	(12,950)	(1,505)	(1,506)	(1,506)	(49,758)	(88,998)	(128,492)

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality fell significantly over the 2017/18 to 2018/19 period owing directly to a net decrease in cash for the 2019/20 financial year.
4. As part of the 2018/19 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
5. In addition the Municipality undertook an extensive debt collection drive resulting in cash receipts on arrear debtors.
6. The 2019/20 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

Table 17 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description R thousand	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Cash and investments available											
Cash/cash equivalents at the year end	1	-	(16,698)	2,429	(12,950)	(1,505)	(1,506)	(1,506)	(49,758)	(88,998)	(128,492)
Other current investments > 90 days		-	(5)	-	-	(21,235)	(21,235)	(21,235)	17,762	18,686	19,657
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		-	(16,703)	2,429	(12,950)	(22,740)	(22,740)	(22,740)	(31,996)	(70,312)	(108,835)
Application of cash and investments											
Unspent conditional transfers		-	15,810	16,757	-	-	-	-	17,762	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	-	(90,350)	(100,050)	(96,754)	(142,432)	(128,560)	(128,560)	(58,766)	(71,289)	(75,138)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		-	(74,540)	(83,292)	(96,754)	(142,432)	(128,560)	(128,560)	(41,004)	(71,289)	(75,138)
Surplus(shortfall)		-	57,838	85,722	83,804	119,692	105,820	105,820	9,008	977	(33,697)

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2019/20 MTREF was funded owing to the significant surplus.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2019/20 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2019) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on August 2016. Key dates applicable to the process were:

- **August 2019** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2020/21 MTREF;
- **November 2019** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2020**- Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2020** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **25 January 2020** - Council considers the 2019/20 Mid-year Review and Adjustments Budget;

- **February 2020** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The 2019/20 MTREF is revised accordingly;
- **31 March 2020** - Tabling in Council of the draft 2020/21 IDP and 2020/21 MTREF for public consultation;
- **April 2020**– Public consultation;
- **May 2020**- Closing date for written comments;
- **6 to 21 May 2020** – finalisation of the 2020/21 IDP and 2020/21 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **31 May 2020** - Tabling of the 2020/21 MTREF before Council for consideration and approval.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the third review of the IDP as adopted by Council in May 2017. It started in September 2016 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2019/20 MTREF in August.

The Municipality IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2019/20 MTREF, based on the approved 2018/19 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2019/20 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2018/19 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2019/20 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2019/20 MTREF:

- Town growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2018/19 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 93 and 94 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2019/20 MTREF was tabled before Council on 22 March 2019 for community consultation will be published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries.

Ward Committees were utilised to facilitate the community consultation process in April 2019. Additional initiatives were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions will be scheduled with organised business and imbizo's will be held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at

setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2018/19 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 18 IDP Strategic Objectives

2018/19 Financial Year	2019/20 MTREF
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Batho Pele principles through a caring, accessible and accountable service	4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - o Provide electricity;
 - o Provide water;
 - o Provide sanitation;
 - o Provide waste removal;
 - o Provide housing;
 - o Provide roads and storm water;
 - o Provide public transport;
 - o Provide city planning services; and
 - o Maintaining the infrastructure of the City.
2. Economic growth and development that leads to sustainable job creation by:
 - o Ensuring there is a clear structural plan for the City;
 - o Ensuring planning processes function in accordance with set timeframes;
 - o Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - o Effective implementation of the Indigent Policy;
 - o Working with the provincial department of health to provide primary health care services;
 - o Extending waste removal services and ensuring effective city cleansing;

- Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
 - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and

- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2018/19 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

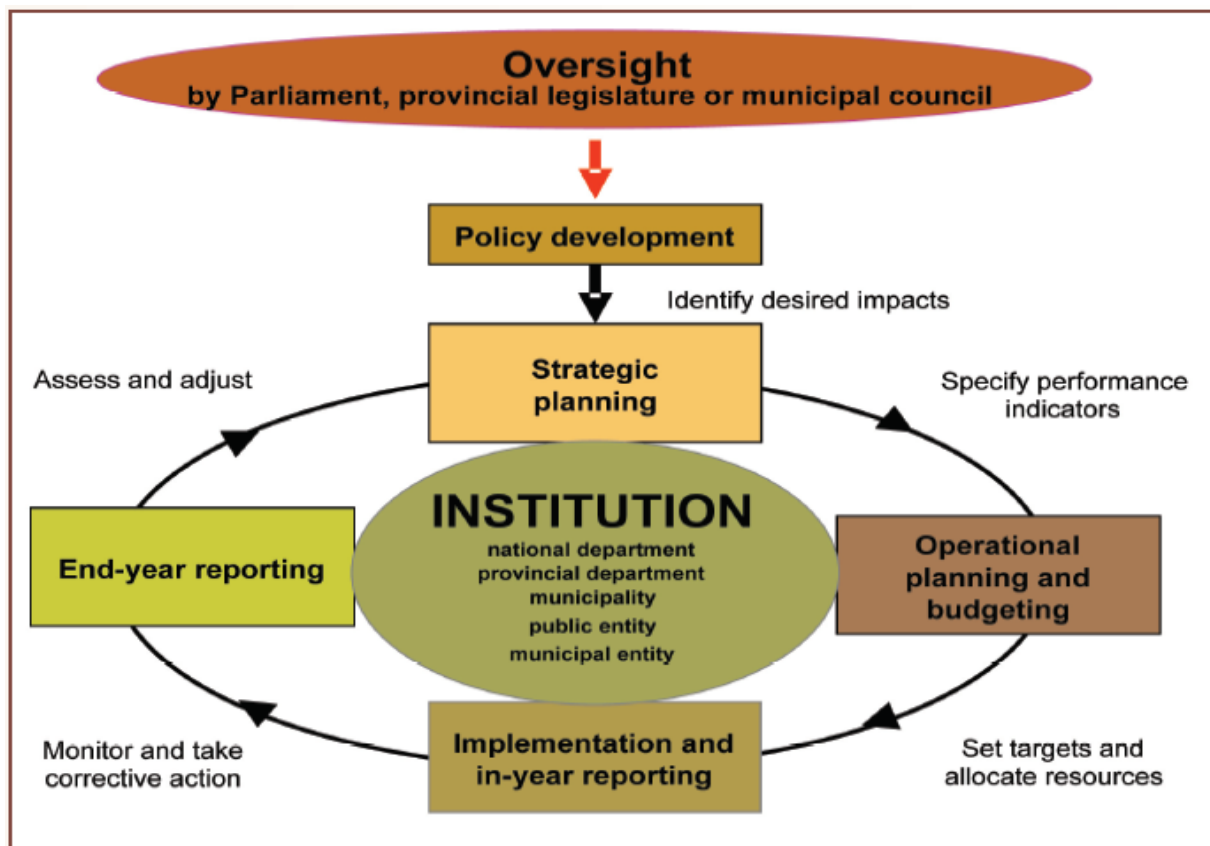
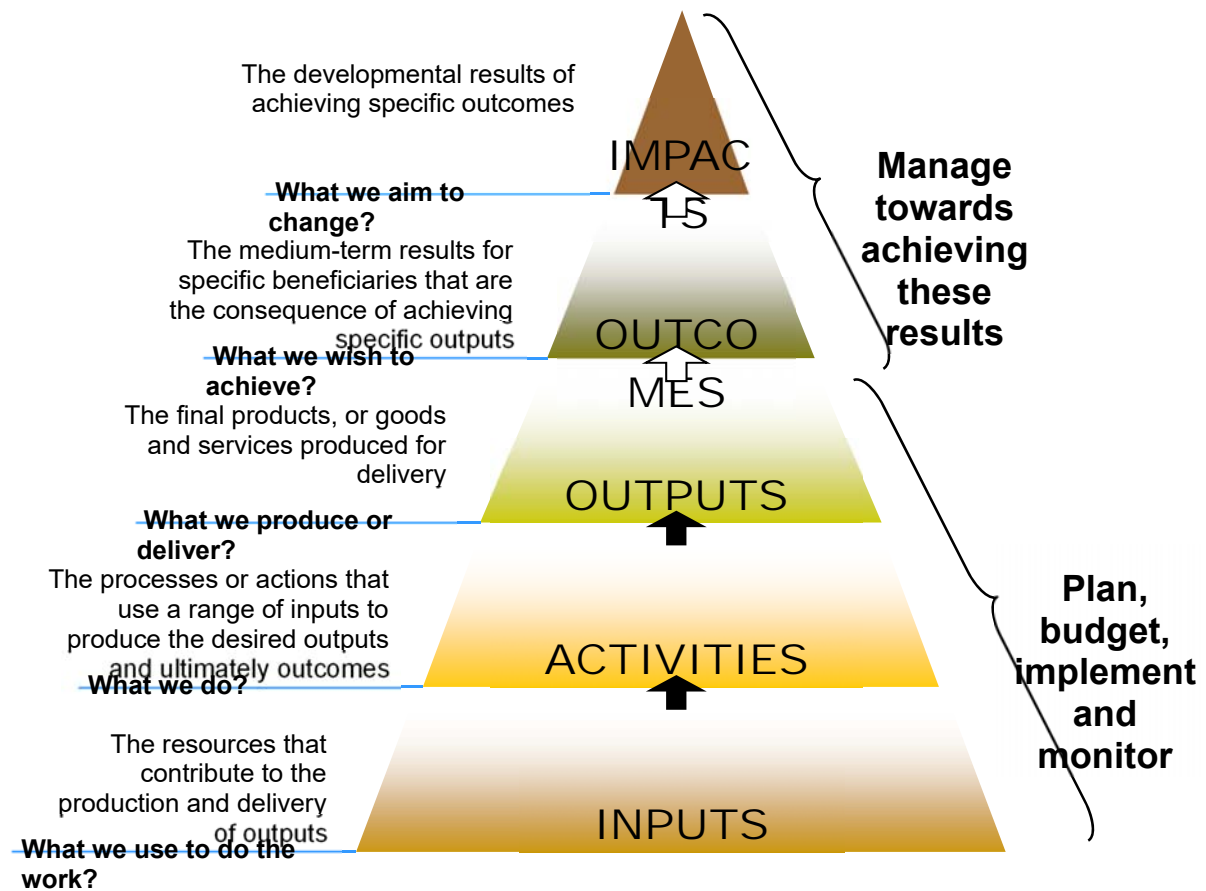


Figure 1 Planning, budgeting and reporting cycle

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:



2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Inkosi Langalibalele Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2018/19 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily decreased from 1.56 per cent in 2018/19 to 1.1 per cent in 2019/20. It is estimated that the cost of borrowing as a percentage of the operating expenditure will reach 1.2 per cent in 2019/20. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the municipality has reached its prudential borrowing limits.

The municipality's debt profile provides some interesting insights on the municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2019/20 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

2.3.1.2 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

2.3.1.3 Creditors Management

- The municipality has not managed to ensure that creditors are settled within the legislated 30 days of invoice. While this raises a concern in terms of the liquidity. Not paying creditors within 30 days and have creditor's outstanding over 90 days is a sign of weakness in cash

flow. However the municipality has daily cash flow management plan which should get the municipality to comply with the 30 days legislation.

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality.

For the 2015/16 financial year 5000 registered indigents have been provided for in the budget with this figured increasing to 7000 by 2019/20. In terms of the Municipality's indigent policy registered households are entitled to 50 kwh of electricity and free waste removal equivalent to 85¢ once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement)

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

2.4 Overview of budget related-policies

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in 2019/20 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2019/20 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 80 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

2.4.2 Asset Management Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.4.3 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council in 2018/19. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.4.4 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget and Virement Policy was approved by Council in 2018/19.

2.4.5 Cash Management and Investment Policy

The Municipality's Cash Management and Investment Policy was amended by Council in January 2017. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

2.4.6 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery.

The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

2.4.7 Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy has directly informed the compilation of the 2019/20 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved 2018/19 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

All the above policies are available on the Inkosi Langalibalele municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

2.5 Overview of budget assumptions

2.5.1 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2018/19 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;

- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration. Employee related costs has been increased by 7.1% as per Circular 93, however, we have seen that in the previous financial and current financial year actual employee related costs exceeds the budgeted amount. We therefore, decided to forecast on actual expenditure trend of this line item. The 7.1% increase is based on the forecasted figures and not on the adjustments budget figure.

2.5.2 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. Amortisation schedule were obtained from the financial institutions and used to calculate the finance charges the municipality will incur in the 2019/20.

2.5.3 Collection rate for revenue services

We have calculated the municipality's collection rate on Rates, Electricity and Refuse. Both the Debtors and Revenue collection rate were calculated. For cash flow purposes, the Revenue collection rate was used because we felt its more accurate reflection of the income that is collected. The Revenue collection rates were as follows:

- Electricity: 84%
- Refuse: 82%
- Property Rates: 42%

2.5.4 Salary increases

- The increase in the cost of remuneration. Employee related costs has been increased by CPI plus 1.5%, as per the Collective Agreement between the Unions and SALGA.

2.5.5 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between

policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.6 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2019/20 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 19 Breakdown of the operating revenue over the medium-term

Description R thousand	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue By Source							
Property rates	85,551	85,551	113,396	113,396	126,919	133,519	140,462
Service charges - electricity revenue	229,990	236,755	225,750	225,750	258,677	272,129	286,279
Service charges - refuse revenue	3,966	8,405	9,309	9,309	8,702	9,155	9,631
Rental of facilities and equipment	237	237	211	211	225	237	249
Interest earned - external investments	754	792	802	802	883	929	977
Interest earned - outstanding debtors	672	672	–	–	–	–	–
Fines, penalties and forfeits	19,262	19,265	22,791	22,791	26,772	28,164	29,628
Licences and permits	3,746	3,556	1,278	1,278	1,345	1,415	1,489
Transfers and subsidies	167,951	169,956	169,956	169,956	187,676	197,892	212,379
Other revenue	4,033	3,522	2,662	2,662	2,821	2,968	3,122
Gains on disposal of PPE							
Total Revenue (excluding capital transfers and contributions)	516,163	528,901	546,155	546,155	614,022	646,408	684,217

The following graph is a breakdown of the operational revenue per main category for the 2019/20 financial year.

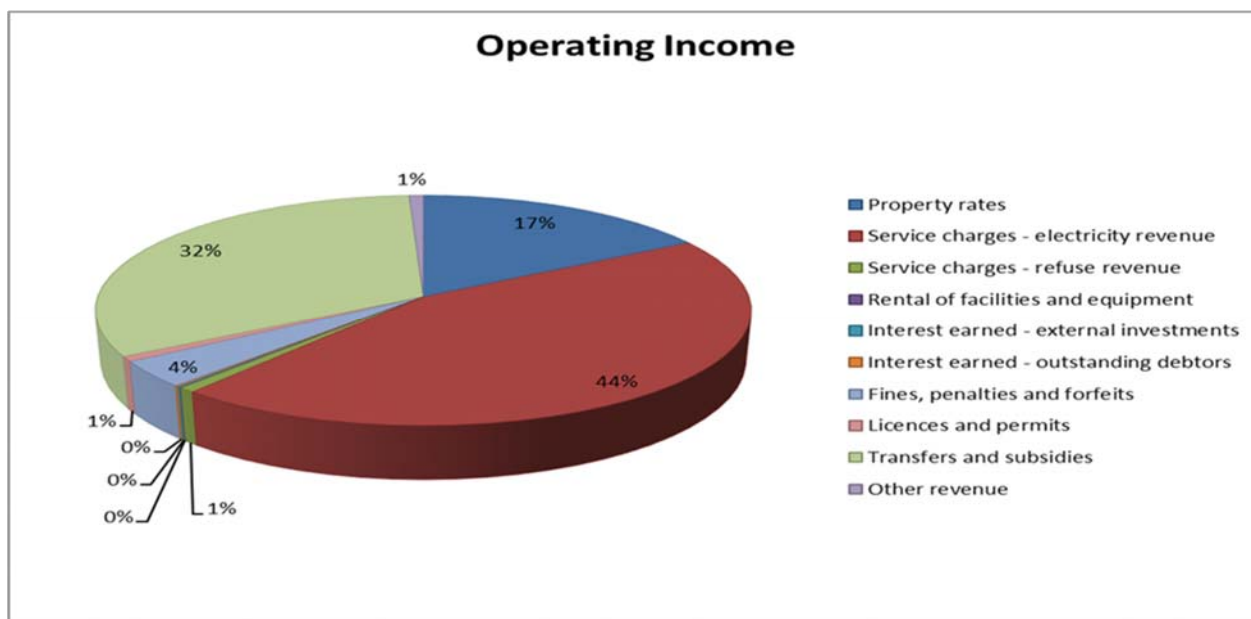


Figure 2 Breakdown of operating revenue over the 2019/20 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

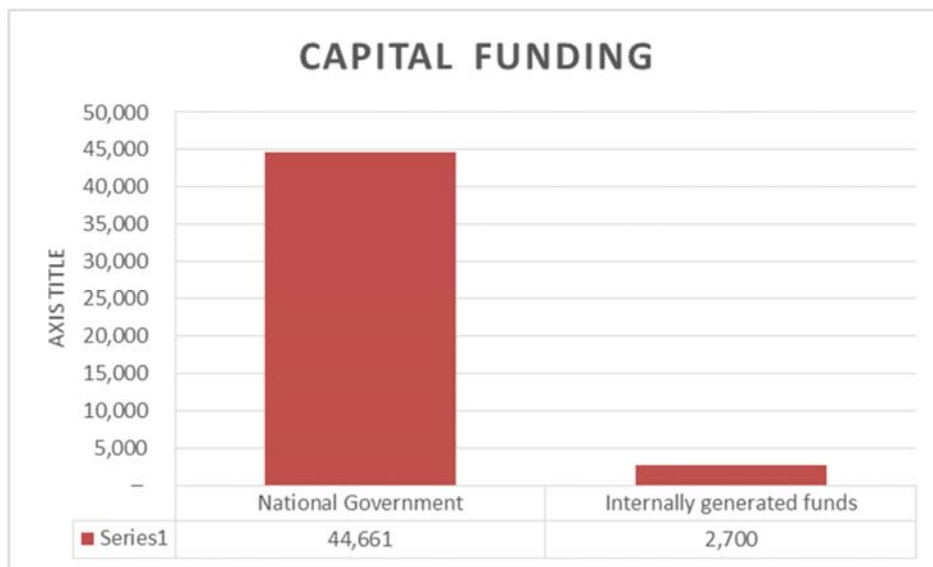
The revenue strategy is a function of key components such as:

- Growth in the city and economic development;
- Revenue management and enhancement;
- Achievement of average 80 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

Vote Description	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Funded by:								
National Government	44,988	50,949	50,949	50,949	50,949	44,661	46,632	52,468
Provincial Government			4,170	4,170	4,170			
District Municipality								
Other transfers and grants								
Transfers recognised - capital	44,988	50,949	55,119	55,119	55,119	44,661	46,632	52,468
Borrowing								
Internally generated funds		2,700	4,825	4,825	4,825	2,700		
Total Capital Funding	44,988	53,649	59,944	59,944	59,944	47,361	46,632	52,468

Figure 3 Sources of capital revenue for the 2019/20 financial year



Capital grants and receipts equates to 99 per cent of the total funding source which represents R44 million for the 2019/20 financial year.

Table 20 MBRR Table A7 - Budget cash flow statement

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates			74,624	88,956	54,753	54,753	54,753	54,753	60,921	64,089	67,422
Service charges			200,999	221,377	211,908	221,598	221,598	221,598	224,425	243,868	256,549
Other revenue			22,846	27,913	23,426	26,828	26,828	26,828	27,148	32,784	34,489
Government - operating	1		118,465	166,438	167,951	169,956	169,956	169,956	187,676	197,892	212,379
Government - capital	1		45,066	44,988	50,949	55,119	55,119	55,119	44,661	46,632	52,468
Interest			716	445	754	754	754	754	883	929	977
Dividends									-	-	-
Payments											
Suppliers and employees			(455,226)	(492,872)	(444,253)	(461,807)	(461,807)	(461,807)	(538,890)	(569,175)	(601,183)
Finance charges			(4,780)	(4,870)	(1,002)	(8,693)	(8,693)	(8,693)	(9,150)	(9,626)	(10,127)
Transfers and Grants	1								-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	2,711	52,375	64,487	58,509	58,509	58,509	(2,326)	7,392	12,974
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE									-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets			(52,615)	(38,428)	(53,649)	(59,944)	(59,944)	(59,944)	(47,361)	(46,632)	(52,468)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	(52,615)	(38,428)	(53,649)	(59,944)	(59,944)	(59,944)	(47,361)	(46,632)	(52,468)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing			11,137	5,185	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	11,137	5,185	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		-	(38,768)	19,132	8,338	(3,935)	(3,935)	(3,935)	(52,187)	(39,240)	(39,494)
Cash/cash equivalents at the year begin:	2		22,070	(16,703)	(21,289)	2,429	2,429	2,429	2,429	(49,758)	(88,998)
Cash/cash equivalents at the year end:	2	-	(16,698)	2,429	(12,950)	(1,505)	(1,506)	(1,506)	(49,758)	(88,998)	(128,492)

The above table shows that cash and cash equivalents of the municipality have steadily decreased overtime.

Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might

indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

2.6.2 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

2.6.2.1 Cash/cash equivalent position

The municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2019/20 MTREF shows R12 million, R17 million and R17 million for each respective financial year.

2.6.2.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.2.3 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 79 percent for each of the respective financial years. Given that the assumed collection rate was based on a 88 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow

challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.6.2.4 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.6.2.5 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The municipality is not planning to obtain any borrowing to finance capital in 2019/20.

2.6.2.6 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The City has budgeted for all transfers.

2.6.2.7 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the municipality's policy of settling debtors accounts within 30 days.

2.6.2.8 Repairs and maintenance expenditure level

In terms of National Treasury's requirements, the renewal expenditure must be 40% and repairs and maintenance expenditure must be at least 8%. Due to cash flow problems, the municipality cannot afford to meet the standard required by National Treasury at the moment.

2.6.2.9 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and

future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b.

2.7 Expenditure on grants and reconciliations of unspent funds

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
EXPENDITURE:	1									
Operating expenditure of Transfers and Grants										
National Government:		–	28,968	160,466	160,964	160,964	160,964	181,378	191,264	205,376
Local Government Equitable Share			13,476	143,450	155,907	155,907	155,907	176,729	189,264	203,112
Finance Management			3,450	3,600	3,670	3,670	3,670	2,500	2,000	2,264
EPWP Incentive			2,328	5,133	1,387	1,387	1,387	2,149	–	–
Other transfers/grants [insert description]			9,714	8,283						
Provincial Government:		–	3,631	3,785	6,987	8,992	8,992	6,298	6,628	7,003
				350						
				564						
Other transfers/grants [insert description]			3,631	2,871	6,987	8,992	8,992	6,298	6,628	7,003
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	1,300	–	–	–	–	–	–
[insert description]				1,300						
Total operating expenditure of Transfers and Grants		–	32,599	165,551	167,951	169,956	169,956	187,676	197,892	212,379
Capital expenditure of Transfers and Grants										
National Government:		–	48,547	53,276	50,949	50,949	50,949	44,661	46,632	52,468
Municipal Infrastructure Grant (MIG)			38,547	38,276	36,949	36,949	36,949	37,661	39,632	42,468
INEP			10,000	15,000	14,000	14,000	14,000	7,000	7,000	10,000
Provincial Government:		–	3,000	–	–	4,170	4,170	–	–	–
VARIOUS GRANTS FROM THE PROVINCE			3,000			4,170	4,170			
District Municipality:		–	–	–	–	–	–	–	–	–
[insert description]										
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										
Total capital expenditure of Transfers and Grants		–	51,547	53,276	50,949	55,119	55,119	44,661	46,632	52,468
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		–	84,146	218,827	218,900	225,075	225,075	232,337	244,524	264,847

Table 21 MBRR SA19 - Expenditure on transfers and grant programmes

Description	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand						
EXPENDITURE:						
<u>Operating expenditure of Transfers and Grants</u>						
National Government:	160,964	160,964	-	181,378	191,264	205,376
Local Government Equitable Share	155,907	155,907		176,729	189,264	203,112
Finance Management	3,670	3,670		2,500	2,000	2,264
EPWP Incentive	1,387	1,387		2,149	-	-
Provincial Government:	6,987	8,992	-	6,298	6,628	7,003
Other transfers/grants [insert description]	6,987	8,992		6,298	6,628	7,003
Total operating expenditure of Transfers and Grants:	167,951	169,956	-	187,676	197,892	212,379
<u>Capital expenditure of Transfers and Grants</u>						
National Government:	50,949	50,949	-	44,661	46,632	52,468
Municipal Infrastructure Grant (MIG)	36,949	36,949		37,661	39,632	42,468
INEP	14,000	14,000		7,000	7,000	10,000
Provincial Government:	-	4,170	-	-	-	-
VARIOUS GRANTS FROM THE PROVINCE		4,170				
Total capital expenditure of Transfers and Grants	50,949	55,119	-	44,661	46,632	52,468
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	218,900	225,075	-	232,337	244,524	264,847

Table 22 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand										
Operating transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year										
Current year receipts			150,255	160,466	160,964	160,964	160,964	181,378	191,264	205,376
Conditions met - transferred to revenue		-	150,255	160,466	160,964	160,964	160,964	181,378	191,264	205,376
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts			3,631	3,785	6,987	8,992	8,992	6,298	6,628	7,003
Conditions met - transferred to revenue		-	3,631	#VALUE!	6,987	8,992	8,992	6,298	6,628	7,003
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts				1,300						
Conditions met - transferred to revenue		-	-	1,300	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Total operating transfers and grants revenue		-	153,886	#VALUE!	167,951	169,956	169,956	187,676	197,892	212,379
Total operating transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
Capital transfers and grants:	1,3									
National Government:										
Balance unspent at beginning of the year										
Current year receipts			48,547	53,276	50,949	50,949	50,949	44,661	46,632	52,468
Conditions met - transferred to revenue		-	48,547	53,276	50,949	50,949	50,949	44,661	46,632	52,468
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts			3,000		-	4,170	4,170	-	-	-
Conditions met - transferred to revenue		-	3,000	-	-	4,170	4,170	-	-	-
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Total capital transfers and grants revenue		-	51,547	53,276	50,949	55,119	55,119	44,661	46,632	52,468
Total capital transfers and grants - CTBM	2	-	-	-	-	-	-	-	-	-
TOTAL TRANSFERS AND GRANTS REVENUE		-	205,433	#VALUE!	218,900	225,075	225,075	232,337	244,524	264,847
TOTAL TRANSFERS AND GRANTS - CTBM		-	-	-	-	-	-	-	-	-

Table 23 MBRR SA22 - Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages			12,835	13,678	15,608	15,608	15,608	15,463	16,491	17,382
Pension and UIF Contributions			487	512						
Medical Aid Contributions			19	20						
Motor Vehicle Allowance			1,309	1,375						
Cellphone Allowance			396	416						
Housing Allowances			-	-						
Other benefits and allowances			68	72	2,171	2,171	2,171	2,316	2,471	2,604
Sub Total - Councillors		-	15,114	16,073	17,779	17,779	17,779	17,779	18,962	19,986
% increase	4		-	6.3%	10.6%	-	-	0.0%	6.7%	5.4%
Senior Managers of the Municipality	2									
Basic Salaries and Wages			4,094	5,234	3,955	3,955	3,955	4,220	4,501	4,744
Pension and UIF Contributions			49							
Medical Aid Contributions										
Overtime										
Performance Bonus			385							
Motor Vehicle Allowance	3		590							
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3				1,931	1,931	1,931	2,060	2,197	2,316
Payments in lieu of leave	3									
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Municipality		-	5,118	5,234	5,886	5,886	5,886	6,281	6,698	7,060
% increase	4		-	2.3%	12.5%	-	-	6.7%	6.7%	5.4%
Other Municipal Staff										
Basic Salaries and Wages			80,403	83,286	100,777	119,872	119,872	126,754	135,184	142,484
Pension and UIF Contributions			10,747	11,567	17,838	17,838	17,838	19,033	20,299	21,395
Medical Aid Contributions			5,263	5,636	5,870	5,870	5,870	6,263	6,680	7,041
Overtime			3,490	3,738	1,091	1,091	1,091	1,164	1,242	1,309
Performance Bonus			4,370	6,390	8,608	8,608	8,608	9,185	9,796	10,324
Motor Vehicle Allowance	3		2,875	4,380	6,402	6,402	6,402	6,831	7,285	7,679
Cellphone Allowance	3		419	494	581	581	581	620	661	697
Housing Allowances	3		448	480	1,634	1,634	1,634	1,743	1,859	1,960
Other benefits and allowances	3		4,408	2,711	3,026	3,026	3,026	3,229	3,443	3,629
Payments in lieu of leave			4,464	4,948						
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Other Municipal Staff		-	116,887	123,630	145,827	164,922	164,922	174,823	186,448	196,517
% increase	4		-	5.8%	18.0%	13.1%	-	6.0%	6.7%	5.4%
Total Parent Municipality		-	137,119	144,937	169,492	188,587	188,587	198,883	212,109	223,563
			-	5.7%	16.9%	11.3%	-	5.5%	6.7%	5.4%
Board Members of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Board Fees										
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Board Members of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Senior Managers of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Other Staff of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Other Staff of Entities		-	-	-	-	-	-	-	-	-
% increase	4		-	-	-	-	-	-	-	-
Total Municipal Entities		-	-	-	-	-	-	-	-	-
TOTAL SALARY, ALLOWANCES & BENEFITS		-	137,119	144,937	169,492	188,587	188,587	198,883	212,109	223,563
% increase	4		-	5.7%	16.9%	11.3%	-	5.5%	6.7%	5.4%
TOTAL MANAGERS AND STAFF	5,7	-	122,005	128,864	151,713	170,808	170,808	181,104	193,147	203,577

References

Table 24 MBRR SA25 - Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand																
Revenue By Source																
Property rates		10,577	10,577	10,577	10,577	10,577	10,577	10,577	10,577	10,577	10,577	10,577	10,577	126,919	133,519	140,462
Service charges - electricity revenue		21,556	21,556	21,556	21,556	21,556	21,556	21,556	21,556	21,556	21,556	21,556	21,556	258,677	272,129	286,279
Service charges - water revenue														-	-	-
Service charges - sanitation revenue														-	-	-
Service charges - refuse revenue		725	725	725	725	725	725	725	725	725	725	725	725	8,702	9,155	9,631
Rental of facilities and equipment		19	19	19	19	19	19	19	19	19	19	19	19	225	237	249
Interest earned - external investments		74	74	74	74	74	74	74	74	74	74	74	74	883	929	977
Interest earned - outstanding debtors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends received														-	-	-
Fines, penalties and forfeits		2,231	2,231	2,231	2,231	2,231	2,231	2,231	2,231	2,231	2,231	2,231	2,231	26,772	28,164	29,628
Licences and permits		112	112	112	112	112	112	112	112	112	112	112	112	1,345	1,415	1,489
Agency services														-	-	-
Transfers and subsidies		62,558					62,558			62,560				187,676	197,892	212,379
Other revenue		235	235	235	235	235	235	235	235	235	235	235	235	2,821	2,968	3,122
Gains on disposal of PPE														-	-	-
Total Revenue (excluding capital transfers and contributions)		98,086	35,528	35,528	35,528	35,528	98,086	35,528	35,528	98,088	35,528	35,528	35,540	614,022	646,408	684,217
Expenditure By Type																
Employee related costs		15,092	15,092	15,092	15,092	15,092	15,092	15,092	15,092	15,092	15,092	15,092	15,092	181,104	192,785	205,220
Remuneration of councillors		1,482	1,482	1,482	1,482	1,482	1,482	1,482	1,482	1,482	1,482	1,482	1,482	17,779	18,703	19,676
Debt impairment		583	583	583	583	583	583	583	583	583	583	583	583	7,000	7,000	7,000
Depreciation & asset impairment		763	3,970	3,970	3,970	3,970	3,970	3,970	3,970	3,970	3,970	3,970	7,178	47,642	50,119	52,726
Finance charges		763	763	763	763	763	763	763	763	763	763	763	763	9,150	9,626	10,127
Bulk purchases		20,133	20,133	20,133	20,133	20,133	20,133	20,133	20,133	20,133	20,133	20,133	20,972	242,438	255,045	268,307
Other materials		1,278	1,278	1,278	1,278	1,278	1,278	1,278	1,278	1,278	1,278	1,278	1,280	15,333	16,130	16,969
Contracted services		2,483	2,483	2,483	2,483	2,483	2,483	2,483	2,483	2,483	2,483	2,483	2,483	29,791	31,341	32,970
Transfers and subsidies														-	-	-
Other expenditure		4,370	4,370	4,370	4,370	4,370	4,370	4,370	4,370	4,370	4,370	4,370	4,370	52,445	55,172	58,041
Loss on disposal of PPE														-	-	-
Total Expenditure		46,946	50,153	50,153	50,153	50,153	50,153	50,153	50,153	50,153	50,153	50,153	54,203	602,682	635,921	671,036
Surplus/(Deficit)		51,140	(14,626)	(14,626)	(14,626)	(14,626)	47,932	(14,626)	(14,626)	47,934	(14,626)	(14,626)	(18,663)	11,339	10,487	13,182
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		14,887					14,887			14,887			-	44,661	46,632	52,468
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)													-	-	-	-
Transfers and subsidies - capital (in-kind - all)													-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		66,027	(14,626)	(14,626)	(14,626)	(14,626)	62,819	(14,626)	(14,626)	62,821	(14,626)	(14,626)	(18,663)	56,000	57,119	65,650
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
Surplus/(Deficit)	1	66,027	(14,626)	(14,626)	(14,626)	(14,626)	62,819	(14,626)	(14,626)	62,821	(14,626)	(14,626)	(18,663)	56,000	57,119	65,650

Table 25 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Description	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Revenue by Vote															
Vote 1 - CORPORATE SERVICES												0	0	-	-
Vote 2 - MUNICIPAL MANAGER	-	-	-	-	-	-	-	-	-	-	-	0	0	-	-
Vote 3 - BUDGET & TREASURY OFFICE	27,710	27,710	27,710	27,710	27,710	27,710	27,710	27,710	27,710	27,710	27,710	27,710	332,516	349,913	375,716
Vote 4 - COMMUNITY SERVICES	1,536	1,536	1,536	1,536	1,536	1,536	1,536	1,536	1,536	1,536	1,536	1,536	18,426	19,384	20,392
Vote 5 - DEVELOPMENT AND PLANNING	18	18,139.00	18,139.00	18,139.00	18,139.00	18,139.00	18,139.00	18,139.00	18,139.00	18,139.00	18,139.00	18	218	229	241
Vote 6 - PUBLIC WORKS: CIVIL	3,434	3,434	3,434	3,434	3,434	3,434	3,434	3,434	3,434	3,434	3,434	3,435	41,209	43,352	45,606
Vote 7 - PUBLIC WORKS: ELECTRICITY	22,193	22,193	22,193	22,193	22,193	22,193	22,193	22,193	22,193	22,193	22,193	22,191	266,313	280,162	294,730
Total Revenue by Vote	54,890	54,890	54,890	54,890	54,890	54,890	54,890	54,890	54,890	54,890	54,890	54,889	658,683	693,040	736,685
Expenditure by Vote to be appropriated															
Vote 1 - CORPORATE SERVICES	18,370	18,370	18,370	18,370	18,370	18,370	18,370	18,370	18,370	18,370	18,370	18,370	220,441	231,903	243,962
Vote 2 - MUNICIPAL MANAGER	2,212	2,212	2,212	2,212	2,212	2,212	2,212	2,212	2,212	2,212	2,212	2,213	26,545	27,926	29,378
Vote 3 - BUDGET & TREASURY OFFICE	3,307	3,307	3,307	3,307	3,307	3,307	3,307	3,307	3,307	3,307	3,307	3,307	39,687	41,751	45,969
Vote 4 - COMMUNITY SERVICES	732	732	732	732	732	732	732	732	732	732	732	735	8,787	9,244	9,724
Vote 5 - DEVELOPMENT AND PLANNING	66	66	66	66	66	66	66	66	66	66	66	66	797	839	882
Vote 6 - PUBLIC WORKS: CIVIL	3,253	3,253	3,253	3,253	3,253	3,253	3,253	3,253	3,253	3,253	3,253	3,255	39,038	41,068	43,204
Vote 7 - PUBLIC WORKS: ELECTRICITY	22,282	22,282	22,282	22,282	22,282	22,282	22,282	22,282	22,282	22,282	22,282	22,282	267,387	283,191	297,917
Total Expenditure by Vote	50,223	50,223	50,223	50,223	50,223	50,223	50,223	50,223	50,223	50,223	50,223	50,229	602,682	635,921	671,036
Surplus/(Deficit) before assoc.	4,667	4,667	4,667	4,667	4,667	4,667	4,667	4,667	4,667	4,667	4,667	4,660	56,000	57,119	65,650
Taxation												-	-	-	-
Attributable to minorities												-	-	-	-
Share of surplus/ (deficit) of associate												-	-	-	-
Surplus/(Deficit)	4,667	4,667	4,667	4,667	4,667	4,667	4,667	4,667	4,667	4,667	4,667	4,660	56,000	57,119	65,650

Table 26 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Multi-year expenditure to be appropriated	1												-	-	-	-
Vote 1 - CORPORATE SERVICES													-	-	-	-
Vote 2 - MUNICIPAL MANAGER													-	-	-	-
Vote 3 - BUDGET & TREASURY OFFICE													-	-	-	-
Vote 4 - COMMUNITY SERVICES													-	-	-	-
Vote 5 - DEVELOPMENT AND PLANNING													-	-	-	-
Vote 6 - PUBLIC WORKS: CIVIL													-	-	-	-
Vote 7 - PUBLIC WORKS: ELECTRICITY													-	-	-	-
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
Capital multi-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated																
Vote 1 - CORPORATE SERVICES							50						50	100	-	-
Vote 2 - MUNICIPAL MANAGER						2,000	50						50	2,100	-	-
Vote 3 - BUDGET & TREASURY OFFICE							50						50	100	-	-
Vote 4 - COMMUNITY SERVICES							50						50	100	-	-
Vote 5 - DEVELOPMENT AND PLANNING							50						50	100	-	-
Vote 6 - PUBLIC WORKS: CIVIL		3,146	3,146	3,146	3,146	3,146	3,146	3,146	3,146	3,146	3,146	3,146	3,155	37,761	39,632	42,468
Vote 7 - PUBLIC WORKS: ELECTRICITY		591	591	591	591	591	591	591	591	591	591	591	599	7,100	7,000	10,000
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
Capital single-year expenditure sub-total	2	3,737	3,737	3,737	3,737	5,737	3,987	3,737	3,737	3,737	3,737	3,737	4,004	47,361	46,632	52,468
Total Capital Expenditure	2	3,737	3,737	3,737	3,737	5,737	3,987	3,737	3,737	3,737	3,737	3,737	4,004	47,361	46,632	52,468

Table 27 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

Description	Ref	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Capital Expenditure - Functional	1															
<i>Governance and administration</i>		-	-	-	-	2,000	150	-	-	-	-	-	150	2,300	-	-
Executive and council						2,000	50						50	2,100	-	-
Finance and administration							100						100	200	-	-
Internal audit													-	-	-	-
<i>Community and public safety</i>		-	-	-	-	-	50	-	-	-	-	-	50	100	-	-
Community and social services							50						50	100	-	-
Sport and recreation													-	-	-	-
Public safety													-	-	-	-
Housing													-	-	-	-
Health													-	-	-	-
<i>Economic and environmental services</i>		3,146	3,146	3,146	3,146	3,146	3,196	3,146	3,146	3,146	3,146	3,146	3,205	37,861	39,632	42,468
Planning and development							50						50	100	-	-
Road transport		3,146	3,146	3,146	3,146	3,146	3,146	3,146	3,146	3,146	3,146	3,146	3,155	37,761	39,632	42,468
Environmental protection													-	-	-	-
<i>Trading services</i>		591	591	591	591	591	591	591	591	591	591	591	599	7,100	7,000	10,000
Energy sources		591	591	591	591	591	591	591	591	591	591	591	599	7,100	7,000	10,000
Water management													-	-	-	-
Waste water management													-	-	-	-
Waste management													-	-	-	-
<i>Other</i>													-	-	-	-
Total Capital Expenditure - Functional	2	3,737	3,737	3,737	3,737	5,737	3,987	3,737	3,737	3,737	3,737	3,737	4,004	47,361	46,632	52,468
Funded by:																
National Government		3,737	3,737	3,737	3,737	3,737	3,287	3,737	3,737	3,737	3,737	3,737	4,004	44,661	46,632	52,468
Provincial Government													-	-	-	-
District Municipality													-	-	-	-
Other transfers and grants													-	-	-	-
Transfers recognised - capital		3,737	3,737	3,737	3,737	3,737	3,287	3,737	3,737	3,737	3,737	3,737	4,004	44,661	46,632	52,468
Borrowing													-	-	-	-
Internally generated funds						2,000	700						-	2,700	-	-
Total Capital Funding		3,737	3,737	3,737	3,737	5,737	3,987	3,737	3,737	3,737	3,737	3,737	4,004	47,361	46,632	52,468

Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the City's website.
 2. Internship programme
The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.
 3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
 4. Audit Committee
An Audit Committee has been established but outsourced.
 5. Service Delivery and Implementation Plan
The detail SDBIP document is at the Final stage and will be finalised after approval of the 2019/20 MTREF in May 2019 directly aligned and informed by the 2019/20 MTREF.
 6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
 7. MFMP Training
The MFMP training is currently underway and most senior management are partaking in this training.
 8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.
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2.8 Other supporting documents

Table 28 MBRR Table SA1 - Supporting detail to budgeted financial performance

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2017/20 medium term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
REVENUE ITEMS:											
Property rates	6										
Total Property Rates			96,834	91,190	108,631	108,631	113,396	113,396	154,018	162,027	170,452
(exemptions, reductions and rebates and			29,520	2,234	23,080	23,080			27,098	28,507	29,990
Net Property Rates		-	67,314	88,956	85,551	85,551	113,396	113,396	126,919	133,519	140,462
Service charges - electricity revenue	6										
Total Service charges - electricity revenue			176,334	214,757	236,123	242,888	225,750	225,750	258,677	272,129	286,279
excess of 50 kwh per indigent household per less Cost of Free Basis Services (50 kwh per											
		-	-	-	6,134	6,134	-		-	-	-
Net Service charges - electricity revenue		-	176,334	214,757	229,990	236,755	225,750	225,750	258,677	272,129	286,279
Service charges - refuse revenue	6										
Total refuse removal revenue			7,593	6,620	7,833	12,272	9,309	9,309	8,702	9,155	9,631
Net Service charges - refuse revenue		-	7,593	6,620	3,966	8,405	9,309	9,309	8,702	9,155	9,631
Other Revenue by source											
Fuel Levy											
Other Revenue			2,213	16,368	4,033	3,522	2,662	2,662	2,821	2,968	3,122
Total 'Other' Revenue	1	-	2,213	16,368	4,033	3,522	2,662	2,662	2,821	2,968	3,122
EXPENDITURE ITEMS:											
Employee related costs											
Basic Salaries and Wages	2		103,709	113,266	106,664	125,759	124,581	169,209	133,339	141,939	151,094
Pension and UIF Contributions			724	16,890	17,838	17,838	17,671	17,671	18,913	20,133	21,432
Medical Aid Contributions			172	7,001	5,870	5,870	5,815	5,815	6,224	6,626	7,053
Overtime			750	7,376	1,091	1,091	1,081	1,081	1,157	1,232	1,311
Performance Bonus			1,077	8,617	8,608	8,608	8,528	8,528	9,127	9,716	10,343
Motor Vehicle Allowance			1,752	8,000	6,402	6,402	6,342	6,342	6,787	7,225	7,691
Cellphone Allowance			6	489	581	581	575	575	616	655	698
Housing Allowances			21	559	1,634	1,634	1,618	1,618	1,732	1,844	1,963
Other benefits and allowances			1,592	7,350	3,026	3,026	2,998	2,998	3,208	3,415	3,636
Payments in lieu of leave											
Long service awards											
Post-retirement benefit obligations	4										
sub-total	5	-	109,803	169,550	151,714	170,809	169,209	213,837	181,104	192,785	205,220

Less: <u>Employees costs capitalised to PPE</u>											
Total Employee related costs	1	-	109,803	169,550	151,714	170,809	169,209	213,837	181,104	192,785	205,220
<u>Depreciation & asset impairment</u>											
Depreciation of Property, Plant & Equipment			45,826	37,278	47,660	47,660	28,596	28,596	47,642	50,119	52,726
Total Depreciation & asset impairment	1	-	45,826	37,278	47,660	47,660	28,596	28,596	47,642	50,119	52,726
<u>Bulk purchases</u>											
Electricity Bulk Purchases			199,162	168,853	173,221	180,000	108,338	108,338	242,438	255,045	268,307
Water Bulk Purchases											
Total bulk purchases	1	-	199,162	168,853	173,221	180,000	108,338	108,338	242,438	255,045	268,307
<u>Transfers and grants</u>											
Cash transfers and grants		-	23,388	30,899	-	-	-	-	-	-	-
Non-cash transfers and grants		-	-	-	-	-	-	-	-	-	-
Total transfers and grants	1	-	23,388	30,899	-	-	-	-	-	-	-
<u>Contracted services</u>											
<i>Security</i>			56,153	58,945	30,000	38,744	26,539	26,539	29,791	31,341	32,970
Total contracted services		-	56,153	58,945	30,000	38,744	26,539	26,539	29,791	31,341	32,970
<u>Other Expenditure By Type</u>											
Collection costs											
Contributions to 'other' provisions											
Consultant fees											
Audit fees			8,996	3,465							
General expenses	3		19,183	7,087	55,341	44,325	39,462	39,462	52,445	55,172	58,041
<i>Advertising</i>			358	1,388							
<i>Bank Charges</i>			447	667							
<i>Cleaning</i>			637	197							
<i>Consumables</i>			739	11,334							
<i>Donations</i>			118	216							
<i>Entertainment</i>			235	90							
<i>Insurance</i>			1,391	1,641							
<i>Community Development and Training</i>			3,364	-							
<i>Conference and Seminars</i>			-	28							
<i>IT Expenses</i>			583	602							
<i>Motor Vehicles Expenses</i>			324	392							
<i>Fuel and Oil</i>			5,486	5,276							
<i>Postage</i>			438	145							
<i>Printing and Stationery</i>			3,143	1,167							
<i>Promotions</i>			1,666	-							
<i>Software Expenses</i>			1,297	-							
Subscriptions and Membership Fees			4,444	20							
Telephone and Fax			3,041	2,662							
Training			674	6							
Uniforms			2,549	518							
Amakhosi			483	215							
Landfill Site			1,544	-							
Total 'Other' Expenditure	1	-	61,140	37,114	55,341	44,325	39,462	39,462	52,445	55,172	58,041
<u>Repairs and Maintenance by Expenditure Item</u>											
Employee related costs	8										
Other materials			15,762	6,106	16,198	12,729	12,729	10,622	14,750	12,080	12,080
Contracted Services											
Other Expenditure											
Total Repairs and Maintenance	9	-	15,762	6,106	16,198	12,729	12,729	10,622	14,750	12,080	12,080

Table 29 MBRR Table SA3 – Supporting detail to Statement of Financial Position

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
R thousand											
ASSETS											
Call investment deposits	2								17,762	18,686	19,657
Call deposits											
Other current investments											
Total Call investment deposits		-	-	-	-	-	-	-	17,762	18,686	19,657
Consumer debtors	2		183,995	251,299	154,193	350,983	350,983	350,983	319,580	336,837	355,027
Consumer debtors											
Less: Provision for debt impairment			(26,472)	(1,911)	(27,105)	(29,047)	(29,047)	(29,047)	1,911	2,014	2,123
Total Consumer debtors		-	157,523	249,388	127,088	321,937	321,937	321,937	321,491	338,852	357,149
Debt impairment provision											
Balance at the beginning of the year											
Contributions to the provision			26,472	1,911	27,105	29,047	29,047	29,047	30,557	32,207	33,946
Bad debts written off											
Balance at end of year		-	26,472	1,911	27,105	29,047	29,047	29,047	30,557	32,207	33,946
Property, plant and equipment (PPE)	3		1,187,257	1,222,963	1,361,506	1,282,907	1,282,907	1,282,907	1,373,162	1,447,313	1,525,468
PPE at cost/valuation (excl. finance leases)											
Leases recognised as PPE											
Less: Accumulated depreciation			424,202	464,070	552,214	486,816	486,816	486,816	559,371	589,577	621,414
Total Property, plant and equipment (PPE)	2	-	763,055	758,894	809,292	796,091	796,091	796,091	813,791	857,736	904,053
LIABILITIES											
Current liabilities - Borrowing	5										
Short term loans (other than bank overdraft)					1,073	1,073	1,073	1,073	1,129	1,189	1,254
Current portion of long-term liabilities			4,556	1,932	2,865	2,865	2,865	2,865	1,117	1,177	1,241
Total Current liabilities - Borrowing		-	4,556	1,932	3,938	3,938	3,938	3,938	2,246	2,367	2,495
Trade and other payables	2		83,186	151,487	38,425	159,570	159,570	159,570	184,283	194,234	204,723
Trade Payables											
Other creditors			15,810	16,757					17,762		
Unspent conditional transfers											
VAT											
Total Trade and other payables		-	98,996	168,245	38,425	159,570	159,570	159,570	202,045	194,234	204,723
Non current liabilities - Borrowing	4		6,485	5,053	7,921	7,921	7,921	7,921	1,096	1,155	1,217
Borrowing											
Finance leases (including PPP asset element)			7,206	3,223	2,169	2,169	2,169	2,169	2,169	2,286	2,410
Total Non current liabilities - Borrowing		-	13,691	8,276	10,090	10,090	10,090	10,090	3,265	3,441	3,627
Provisions - non-current			31,022	33,060		33,060	33,060	33,060	35,043	36,935	38,930
Retirement benefits											
List other major provision items											
Refuse landfill site rehabilitation			25,388	26,556	19,363	26,556	26,556	26,556	27,883	29,389	30,976
Other											
Total Provisions - non-current		-	56,410	59,616	19,363	59,616	59,616	59,616	62,926	66,324	69,906
CHANGES IN NET ASSETS											
Accumulated Surplus/(Deficit)	1										
Accumulated Surplus/(Deficit) - opening balance					683,909	996,584	996,584	996,584	991,481	1,033,885	1,092,567
GRAP adjustments					199,000						
Restated balance		-	-	-	882,909	996,584	996,584	996,584	991,481	1,033,885	1,092,567
Surplus/(Deficit)		-	(102,369)	41,100	67,197	56,282	191,024	146,395	56,000	57,119	65,650
Appropriations to Reserves											
Transfers from Reserves											
Depreciation offsets											
Other adjustments											
Accumulated Surplus/(Deficit)		-	(102,369)	41,100	950,106	1,052,866	1,187,608	1,142,979	1,047,482	1,091,003	1,158,217
Reserves	2										
Housing Development Fund					1,095	1,095	1,095	1,095	-	-	-
Capital replacement											
Self-insurance											
Other reserves											
Revaluation											
Total Reserves		-	-	-	1,095	1,095	1,095	1,095	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	-	(102,369)	41,100	951,201	1,053,961	1,188,703	1,144,074	1,047,482	1,091,003	1,158,217

2.9 Municipal manager's quality certificate


I **P.S. Mkhize**, municipal manager of **Inkosi Langalibalele Municipality**, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name **Mr. PS Mkhize**

Municipal manager of **Inkosi Langalibalele Municipality (KZN237)**

Signature

Date

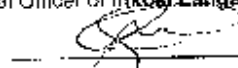

03/06/2019

Print Name **Mr. SP Kadebe**

Chief Financial Officer of **Inkosi Langalibalele Municipality (KZN237)**

Signature

Date


03/06/2019